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ABSTRACT

This paper presented preliminary findings of a 4-year study to test alternatives to the annual application and daily meal-counting procedures in the National School Lunch Program (NSLP). It presents preliminary findings for school years 1990-91 and 1991-92. Data were collected from 12 pilot-site schools and school-food authorities (SFAs) to measure program effects on administrative burden, participation, Federal costs, and accountability. A survey of 214 households was also conducted to assess changes in eligibility status. Four types of pilot projects were examined--no-fee, direct certification, alternative application, and provision 1 and 2. Data show that no-fee, direct-certification, and alternative-application projects were successful in reducing time spent on paperwork. No-fee programs demonstrated the most cost savings per meal; however, federal costs increased in both no-fee and direct-certification projects. The three sites recruited to test the pilot procedures in Provision 1 and 2 schools experienced problems in implementing the pilot procedures. Survey data indicated that and direct-certification projects. Survey data indicated that 91 percent of the households retained their eligibility to receive free lunches. Twenty-nine tables are included. (LMI)

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THE PAPERWORK REDUCTION PILOT PROJECTS INTERIM REPORT EXECUTIVE SUMMARY

The Child Nutrition and WIC Reauthorization Act of 1989 (P.L. 101-147), required the Secretary of Agriculture to carry out pilot projects to test alternatives to annual application and daily meal counting procedures in the National School Lunch Program (NSLP). The intent of these projects is to test ways to reduce the administrative burden on schools with a large percentage of students from low-income families, while maintaining program integrity. The legislation specifically prescribes three pilot projects which test alternatives to the annual application and meal counting requirements.

The Food and Nutrition Service is conducting a four-year study to determine the effects of the pilot projects on paperwork burden and program integrity. This report presents preliminary findings from the first two years of the study--school year 1990-91 when baseline measures were taken and school year 1991-92, the first year of pilot operations. The final report will include information from the final two years of pilot operations, school years 1992-93 and 1993-94, and will draw conclusions and make recommendations.

Study Objectives

The study was designed to answer research questions relating to the amount of time and cost saved at the local level by reducing administrative requirements. In addition, pilot procedure effects on student participation and Federal costs were also examined. Finally, the effect of pilot procedures on program integrity is also explored.

This study collected data from two sources. Data were collected from pilot site schools and School Food Authorities to measure pilot procedure effects on administrative burden, participation, and Federal costs and accountability. In addition, data were collected through an in-home survey of households at each pilot site to assess changes in family income and eligibility for free or reduced price meals during the course of a lengthened application cycle.

Preliminary Findings

All findings included in this interim report are preliminary and based only one year of pilot data. The final report will include data from the baseline year as well as three years of pilot information. In addition, the final report will address issues not included in this report, (see Further Evaluation section below).

No-Fee Pilot Sites

In the no-fee pilot projects, schools serve meals to all children at no charge, regardless of the income status of the child. Schools are not required to count meals by category (free, reduced price and full price) because they receive Federal reimbursement based on set claiming ratios. Schools count total meals served and then apply claiming ratios to determine how many meals should be claimed for free reimbursement, how many for reduced price reimbursement and how many for paid reimbursement. Claiming ratios are established using historical participation, school enrollment, econometric models or other alternatives.

Four of the pilot project sites are operating no-fee programs: The School District of Philadelphia, PA; Jersey City School District in Jersey City, NJ; Alisal Union School District in Salinas, CA; and National City School District in National City, CA.

Time Savings
Each of the no-fee pilot projects was successful in reducing paperwork associated with the school meals programs. By eliminating or reducing the frequency of the application process, Philadelphia, Salinas, and National City saved between 15 and 24 minutes per application in processing time. Jersey City continues to process applications for all students every year.

The four sites saved between 41 minutes and 1 hour 33 minutes per school per day due to simplification of the meal counting process. Instead of counting meals by category (e.g., free, reduced price and paid), the no-fee pilot sites count only total meals served. Time is saved by not selling tickets at the beginning of the day, collecting tickets or money during the meal service, and by not counting the tickets by category after the meal service is over.

Cost Savings
Through actual reductions in labor and direct costs coupled with reallocated labor hours--i.e., labor that was shifted from administration to meal preparation or other educational tasks--no-fee school districts saved between $.09 and $.24 per meal.

Federal Costs
Federal costs in each of the no-fee sites rose as student participation increased. Average daily meal rates in each site rose between 7 and 21 percent.

<u>Alternative Application Pilot Sites</u>
San Bernadino, California; Springfield, Oregon; and Lowell, Massachusetts each implemented alternative application procedures. San Bernadino and Springfield are extended eligibility sites where applications are processed once every two or three years rather than every year. At the time of application, a child's eligibility is determined and remains the same until the next time applications are collected. San Bernadino processes applications every other year and conducts verification in the alternate year. Springfield petitioned to process one third of their applications each year and verify 10 percent of those approved in that year. Lowell developed a modified application to simplify their application process and shift part of the procedure from the fall to the spring. All alternative application sites have continued to count meals by category.

Two of the sites, Springfield and Lowell are no longer operating under pilot procedures. Springfield did not fully implement their proposed pilot procedures. Lowell's simplified application actually increased the time spent on paperwork so they made the decision to try direct certification instead.

Time Savings
San Bernadino collects applications from students every other year and conducts verification on 10 percent of all applications on file in the alternate year. In years when applications are

not processed, San Bernadino saves over 6,000 hours--about 20 minutes per application. In years when verification is not conducted, San Bernadino saves about 510 hours--over 2 hours per application

Cost Savings
San Bernadino saves about $.05 per meal in reallocated labor and direct costs during years when applications are not processed.

Federal Costs
Increases in meal service cannot be directly attributed to the pilot.

Direct Certification Pilot Sites
Columbus, Ohio and the State of Maine are direct certification pilot projects. Direct certification is a simplified method to determine eligibility for free meals under the National School Lunch and School Breakfast programs. In place of applications, school officials may contact food stamp or Aid to Families with Dependent Children (AFDC) offices for documentation that children are members of a food stamp household or an AFDC assistance unit. These children are automatically eligible for free meals. Besides simplifying the initial application process, direct certification also makes the verification process less burdensome by reducing the number of applications that must be verified.

When the pilot projects began in 1990, direct certification was newly approved by law (P.L. 101-147). The two pilot sites were chosen to test the usefulness of direct certification--Columbus at the local level and Maine at the State level.

Time Savings
Columbus had an estimated 3,653 hour savings--about 13 minutes per application--in application processing from the baseline to the first year of pilot operations. Data from Maine were not available for this interim report.

Cost Savings
As a result of labor and direct savings (from postage, printing, etc.) Columbus saved about $.01 per meal.

Federal Cost
Federal costs are affected by direct certification because program costs increase as the number of free eligibles eating meals increases. In Maine, for example, the number of free meals served increased by 812,000 between 1991 and 1992. At the same time, the numbers of reduced price and paid meals declined indicating that children shifted from the reduced price and paid categories into the free category--perhaps as a result of direct certification.

While participation effects resulting from direct certification cannot be separated from those caused by shifts in the economy or other factors, there is some evidence that Federal costs in the direct certification sites rose as a result of their pilot procedures. Both Columbus and the State of Maine experienced much higher than average growth in the number of free eligibles

between the baseline year (1991) and the first year of pilot operations (1992). Columbus experienced a 23 percent increase in their number of free eligibles and Maine experienced a 35 percent increase while the national average growth in free eligibility was only 11 percent.

Provision 1 and 2 Pilot Sites

Atlantic City, NJ; Milford, MA; and Terrell County, GA were chosen to test alternatives to Provisions 1 and 2--two alternative application counting and claiming processes that have been allowed by law since 1977. As in the no-fee sites, meals were served to all children at no charge and claimed using claiming percentages.

Atlantic City and Milford both ended their no-fee meal programs due to district costs coupled with changes in personnel. Terrell County still runs a no-fee program but they claim meals using current Provision 2 procedures rather pilot Provision 2 procedures--i.e., they use participation percentages rather than enrollment percentages to prepare claims for reimbursement.

In-Home Survey

The majority of the households, 91 percent, interviewed in 1991 and again in 1992 retained their eligibility to receive free lunches. Households who were not eligible to receive free lunches in 1991 did have notable increases in benefits in 1992 and demonstrate a potential impact on program integrity. However, these results should be interpreted carefully because: 1) the samples were small; and 2) the data were collected only once within each year, which makes it is difficult to truly assess household income fluctuations.

Further Evaluation

Since the study's inception, a number of issues have arisen that should be addressed to present a more complete picture of how the pilot procedures have affected district school food service operations and program integrity.

In the no-fee sites, the final report will further examine the impact of no-fee procedures on breakfast program finances and student participation. In addition, the final report will present a more in-depth discussion of the impact of no-fee procedures on district finances. Finally, the final report will present a comparison of enrollment-based versus participation-based claiming percentages and will examine how well claiming percentage models match actual meal service.

In the alternative application sites further evaluation will focus on two issues: 1) the impact of direct certification on paperwork savings associated with extended applications; and 2) whether applications for meal benefits accumulate over time resulting in service of free and reduced price meals to children who may no longer be eligible.

Future evaluation of the direct certification pilot projects will focus on efficiencies gained through experience with the direct certification process. For example, the question of whether the incidence of duplicate applications is reduced from one year to the next will be examined.

INTRODUCTION

The Child Nutrition and WIC Reauthorization Act of 1989 (P.L. 101-147), required the Secretary of Agriculture to carry out pilot projects to test alternatives to annual application and daily meal counting procedures in the National School Lunch Program (NSLP). The intent of these projects is to test ways to reduce the administrative burden on schools with a large percentage of students from low-income families, while maintaining program integrity. The legislation specifically prescribes three pilot projects which test alternatives to the annual application and meal counting requirements.

The Food and Nutrition Service is conducting a four-year study to determine the effects of the pilot projects on paperwork burden and program integrity. Twelve school districts were selected to participate in the study. Of the twelve participating, three tested alternatives to Special Assistance Provision 1 and 2 application and meal counting requirements and the remainder tested other alternatives designed by the districts themselves. This report presents findings from the first two years of the study--school year 1990-91 when baseline measures were taken and school year 1991-92, the first year of pilot operations. The final report will also include information from the final two years of pilot operations, school years 1992-93 and 1993-94.

This report is organized into seven chapters. Chapter 1 reviews background information on the NSLP and presents the study objectives. Chapter 2 presents preliminary findings on the no-fee pilot projects. Chapter 3 presents preliminary findings from the alternate application pilot projects. Chapter 4 presents preliminary findings from the direct certification pilot projects. Chapter 5 presents information from the pilot Provision 1 and 2 projects. Chapter 6 presents preliminary findings from the in-home survey portion of the study. Finally, Chapter 7 summarizes the information presented in the preceding chapters.

CHAPTER 1
PROGRAM AND STUDY BACKGROUND

The Food and Nutrition Service (FNS), U.S. Department of Agriculture (USDA), is responsible for the administration of five child nutrition programs, including the National School Lunch Program (NSLP). The NSLP is the oldest and the largest of the child nutrition programs. Since 1946, the NSLP has made it possible for schools to serve nutritious lunches to students each school day. Annual Federal expenditures to States have increased from less than $100 million in 1946 to approximately $4.7 billion in 1993. Approximately 42 million children in 93,000 schools (grades K-12) located in more than 20,000 school districts across the country participate in the NSLP. On an average day, about 25 million children participate in the program.

NSLP Legislative History

The National School Lunch Act was first enacted in 1946 to "...safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities and other food, by assisting the States, through grants-in-aid and other means, in providing an adequate supply of food and other facilities for the establishment, maintenance, operation, and expansion of nonprofit school lunch programs." The Act, as amended, authorizes cash payments to assist schools in making local purchases of food and the distribution of commodities.

The Act directs local school authorities to serve lunches without cost or at a reduced price to those children determined by school food authorities as being unable to pay the full cost. Further, there is to be no physical segregation or discrimination against any child unable to pay for his or her lunch. The schools are to utilize, insofar as practicable, surplus commodities in their lunch programs.

Legislation during the 1970s focused on expanding the coverage of some programs, improving the quality of the meals served and the dissemination of nutrition education information. In addition, legislation was passed to reduce paperwork in low-income school districts through the Special Assistance Certification and Reimbursement alternatives, commonly known as Provision 1 and Provision 2. Later legislation, such as the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), was concerned with targeting benefits to those most in need while improving program management and accountability.

Program Administration

FNS of the USDA implements the Program authorizing legislation and is generally responsible for establishing regulations, policies and guidelines; monitoring program performance; and providing program and administrative funds to the States. There are seven FNS Regional Offices that primarily monitor and provide technical assistance to the State agencies.

Within each State, responsibility for the administration of school nutrition programs usually rests with the State education agency. State administering agencies enter into an agreement with FNS that outlines the requirements for participation. The State agencies provide technical assistance to local school districts and monitor program performance. State administering agencies also collect and summarize data on the number of meals served by each participating school food authority (SFA) and report the number of meals served, by type, to the Food and Nutrition Service.

Local SFAs, typically school districts, enter into an agreement with the State agency that outlines the requirements for program participation. At the local level, district staff administer the program in the schools they supervise. Schools participating in the school lunch and/or breakfast programs are required to prepare and serve meals according to USDA established meal patterns. Schools are responsible for approving applications for free and reduced price meals and verifying a sample of those applications. Schools count meals served each day by eligibility status (free, reduced price or full price), SFA submits monthly claims for reimbursement to the State agency.

Generally, any public school or nonprofit, private school of high school grade or under is eligible to participate in the school nutrition programs. Public and licensed, nonprofit, private residential child care institutions such as orphanages, homes for retarded children, and temporary shelters for runaway children are also eligible.

Program Operations

Certification process for free and reduced price meals

While all children receive some Federal subsidies in cash and commodities, the USDA establishes income eligibility criteria for needy children to receive free or reduced price meals in the School Nutrition Programs. All income eligibility guidelines are derived from the official Federal poverty guidelines and are updated annually. Family income and household size jointly determine free and reduced price eligibility. Children from families with incomes 130 percent of the official U.S. government poverty level or less ($18,655 for a family of four in the 1994 school year) are eligible to receive free meals and those with family incomes 185 percent of the poverty level or less ($26,548 for a family of four in the 1994 school year) are eligible to receive meals at a reduced price.

Generally, determination of benefits is made at the start of each school year. On or about the beginning of the school year, school food authorities must publicly notify the parents of all children enrolled in school of the availability of free and reduced price lunch benefits. Households apply for free or reduced price meals by completing an application provided by the SFA. The application calls for households to list the names of all persons in the household, the social security number of an adult household member, and the household's income by source (i.e. earnings from work, welfare or unemployment payments, child support or alimony, pensions, retirement, social security), unless an AFDC or food stamp

case number is provided in lieu of income information and the signature of an adult household member.

In addition to an initial determination of benefits, SFAs are required to verify the eligibility of a sample of students receiving free or reduced price lunches. If SFAs choose to verify a random sample, they must verify at least 3% of applications on file. SFAs may also choose to verify a 1% sample of those applications within $100 of the upper limit of free or reduced price eligibility plus one half of one percent of households that provided a food stamp case number in lieu of income information. Some smaller SFAs choose to verify all applications. The verification process is required to be completed by December 15 of each year.

The total administrative responsibilities in the certification process at the school or SFA level consist of: training for staff, advertisement/notification of benefits, eligibility determination, roster creation, and verification of a sample of approved applications.

In FY 1993 nearly 55 percent of all lunches were served free or at a reduced price. Overall average daily student participation rates vary with the costs to students with rates of 44 percent for students receiving full price meals, 71 percent for students receiving reduced price meals, and 79 percent for students receiving free meals.[1]

Financial reimbursement

FNS pays States for each school lunch based on a national average payment factor multiplied by the number of meals of each type served. All lunches earn a base level of reimbursement. Free and reduced price meals earn an added benefit over and above the base level. The payment factor is prescribed annually by the Secretary of Agriculture to cover cost increases due to inflation. In the 1993-94 school year, the level of payment is $.17 per lunch for fully paid meals, $1.33 for reduced price meals and $1.73 for free meals. SFAs that serve 60 percent or more of their meals free or at a reduced price receive an additional $.02 per meal.

SFAs are offered an amount of commodities based on the number of lunches they serve, plus as much of specified types of surplus commodities as they can use without waste. States earn $.14 worth of entitlement commodities for each lunch served in the 1993-94 school year.

All Federal meal payments are performance based. That is, the monthly claim for reimbursement is limited to the number of free, reduced price and paid lunches actually served to children eligible for such benefits for that month. Program regulations require schools to take daily meal counts, at the point of service, which identify the number of free,

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[1] Burghardt, J., Gordon, A., Chapman, N., Gleason, P., Fraker, T. The School Nutrition Dietary Assessment Study: School Food Service, Meals Offered and Dietary Intakes. (Mathematica Policy Research: Princeton, N.J., 1993). p. 133.

reduced price and paid reimbursable meals served. Meal counting procedures may not overtly identify free and reduced price students.

School participation requirements

All public or private nonprofit schools are eligible to receive federal reimbursement for the school nutrition programs if they:

Serve meals which meet the nutritional standards established by USDA;

Supply meals free or at a reduced price to all children determined to be eligible;

Do not discriminate against or overtly identify any child because of inability to pay the full price of a meal;

Operate the food service on a nonprofit basis;

Operate the food service for all students without regard to race, color, national origin, sex, age or handicap.

Special Assistance Certification and Reimbursement Alternatives

Public Law 96-166, enacted November 10, 1977, amended the National School Lunch Act to authorize special assistance and certification procedures to reduce paperwork in the school lunch and breakfast programs. These alternatives, commonly referred to as Provision 1 and Provision 2, allow schools to reduce the annual certification and public notification requirements of the school lunch program. Provision 2 also allows participating schools to base claims for reimbursement on claiming percentages rather than a daily counting of meals by eligibility category.

Under Provision 1, an SFA or a school having at least 80 percent of its enrolled children determined eligible for free or reduced price meals may authorize the school to reduce annual certification and public notification for those children eligible for free and reduced price meals to once every two consecutive school years. Schools participating under Provision 1 must continue to record the number of free, reduced price and paid meals served daily as the basis for calculating claims for Federal reimbursement. There were approximately 49 schools in 10 SFAs operating under Provision 1 in 1990 (the first year of this study).

Under Provision 2, an SFA or a school which serves free meals to all enrolled children in that school may certify children for free and reduced price meals for up to three consecutive school years. Meal counting procedures are also altered to reduce administrative burden. During the first year, schools must take daily counts of the number of meals served by eligibility category. These meal counts are converted into percentages of total meals served each month (i.e. the number of free meals served in January is divided by the total number of meals served that month). Reimbursement in the second and third years is calculated by

applying these monthly percentages to total meals counts for the corresponding months. Thus, the daily recording of meals served by eligibility category is not required in the second and third years, but schools must continue to count the total number of meals served each month. Provision 2 schools must pay with funds other than Federal subsidies for free meals served to reduced price and paid students. The school continues to receive reimbursement for free, reduced price and paid students and must therefore base claims for reimbursement on meal counts by eligibility category. There were approximately 358 schools in 148 SFAs operating under Provision 2 in 1990.

Study Rationale

NSLP regulations impose requirements on school districts, food service, and local school officials aimed at maintaining program integrity. Two areas are focused upon in this study: the requirement to take annual applications to determine eligibility category (i.e., paperwork burden) and the requirement to count lunches by category (i.e., program integrity). FNS is testing ways to improve application and counting processes while maintaining program integrity and imposing the least burden possible on the school district and school food service workers and program participants.

Both the annual application requirements and the daily lunch counts are designed to ensure that Federal funds are used for the purpose intended i.e., to provide children eligible for free, reduced price, and paid meals a meal meeting the prescribed meal pattern. However, these requirements for program integrity increase the administrative burden at the local level.

The need to balance paperwork burden and program integrity has long been recognized. Special assistance Provisions 1 and 2 were enacted in 1977 to reduce paperwork in schools with high application processing burden -- those serving primarily low-income children. The pilot projects authorized by P.L. 101-147 will allow FNS to assess these special assistance provisions and several other methods to reduce paperwork in the areas of application processing and meal counting.

Study Objectives

Much of the paperwork and administrative burden currently imposed on school officials is necessary in order to provide reimbursement based on actual counts of meals served by category. This study examines ways to reduce this burden and analyzes the effects such reduction will have on program integrity.

The study has three main objectives. The first objective is to measure the reduction in paperwork and administrative burden brought about by the pilot procedures. The second objective is to profile changes to program operations in the school districts such as increases in participation as a result of the pilot procedures. The third objective is to assess the impact

on local revenues, Federal costs, and the distribution of program benefits (program integrity) in the pilot projects.

The need to administer Federal programs in an accountable manner necessitates certain administrative procedures and recordkeeping, much of it at a local level. These procedures result in more effective use of Federal funds and Federal tax dollars. As paperwork is reduced, program integrity may decline and Federal expenditures increase, although local tax dollars are saved. These demonstration projects should advance FNS' knowledge of the trade-offs between local costs and administrative burdens and Federal program integrity requirements.

The study is intended to answer the following questions:

- What is the reduction in administrative burden associated with alternate application and certification procedures?
- What is the reduction in administrative burden associated with alternate meal counting procedures?
- What is the reduction in administrative burden associated with alternate income verification procedures caused by the pilot application procedures?
- In the pilot sites, do family size or income changes affect eligibility for free and reduced price meals from year to year?
- What is the impact on local revenues?
- How are Federal program costs affected by alternate application and meal counting procedures?

This study is being conducted over a four-year period (1990-1994) in 12 sites that volunteered to participate in the pilot program. Abt Associates, a consulting firm located in Massachusetts, conducted the first phase of data collection during the 1990-1991 school year. The study was then awarded to Atlantic Resources Corporation to complete the data collection and perform the analysis.

The study uses a pretest-posttest design in 8 of the 12 case studies: San Bernardino, CA; Salinas, CA; Springfield, OR; Columbus, OH; Jersey City, NJ; Philadelphia, PA; National City, CA and Lowell, MA. Data were collected in these sites in the first year of the study, SY 1990-1991, to determine the level of baseline operations. The pilot procedures were implemented in SY 1991-1992. Data were collected in SY 1991-1992 and again in SY 1992-1993 to measure the effects of the alternate procedures. Data will be collected again in SY 1993-1994, the final year of the study, to further assess the effects of the alternate pilot

procedures. The data for all three years will be compared in order to assess changes that occurred from year to year at each pilot site.

The remaining four pilot sites intended to begin pilot operations during the first year of this study. These are Terrell County, GA; Atlantic City, NJ; Milford, ME, and the State of Maine. For these sites, changes cannot be evaluated from baseline application and meal counting procedures. Instead, comparisons will be made from year to year of the study to evaluate how the pilot procedures have affected each site and to assess the impact of the procedures that were implemented. During the first two years of this study, eight sites successfully implemented pilot procedures -- Jersey City, Salinas, Philadelphia, National City, Columbus, and the State of Maine) Two sites, Springfield and Terrell County, partially implemented pilot procedures. Atlantic City and Milford dropped out of the study.

This study collected data from two sources. Data were collected from pilot site schools and SFAs to measure pilot procedure effects on administrative burden, participation, and Federal costs and accountability. In addition, data were collected through an In-Home Survey of households at each pilot site to assess changes in eligibility status during the course of a lengthened application cycle.

Study Limitations

This interim study has a number of limitations that must be considered when interpreting the findings. The study provides a preliminary analysis of 12 case studies that are not representative of all schools or SFAs in the country. The information collected cannot be used to make predictions or generalizations about schools throughout the Nation. In addition, data were collected from a small number of sites, some sites could not provide all the needed data, and there were some differences in how information was provided across the sites.

Furthermore, it is not possible to isolate the effects of the implementation of the pilot procedures from other changes that occurred during the demonstration period. Changes at these pilot sites cannot be attributed solely to pilot procedures. For example, the economic condition of the Nation must be considered when evaluating the results from this study. Any increase in student participation in the NSLP pilot projects may be the result of the worsening economic conditions of the country -- increases in student participation cannot be solely attributed to the pilot procedures. Finally, In-Home Survey data were not collected from all twelve pilot sites and the sites where the In-Home Survey was conducted did not have high response rates in the second year of data collection, SY 1991-1992.

Pilot Project Descriptions

Four types of pilot projects are included in the study: No-Fee, Direct Certification, Alternative Application, and Pilot Provision 1 and 2. Table 1.1 presents a profile of procedures by pilot site.

No-Fee

In a no-fee program, schools serve meals to all students without charge, regardless of the income status of the child. Total meal counts are recorded daily, instead of meal counts by eligibility category (i.e., free, reduced price, and paid). Claiming percentages are developed that reflect the numbers of free, reduced price, and paid eligible children. These claiming percentages are applied to total daily meal counts to calculate eligibility claims. Jersey City, NJ; Salinas, CA; Philadelphia, PA; and National City, CA are operating no-fee programs.

Direct Certification

Direct Certification is a simplified method of determining eligibility for free meals under the NSLP. In place of applications, school officials may contact food stamp or Aid to Families with Dependent Children (AFDC) offices for documentation that children are members of a food stamp household or AFDC assistance units. The children are automatically eligible for free meals. The Direct Certification pilot projects include Columbus, OH and the State of Maine.

Alternative Application

Extended Eligibility

In an Extended Eligibility program, applications are processed once every two or three years. At the time of application, a child's eligibility is determined and remains the same until the next time applications are collected. The SFA continues to collect applications from new students as they enroll in the school. The Extended Eligibility pilot projects are Springfield, OR, and San Bernardino, CA.

Modified Application

Under the Modified Application pilot project, the SFA uses a simplified version of the original application. The modified application is sent to students who were categorically eligible in the previous school year. Lowell, MA, is using Modified Application.

Pilot Provision 1 and Pilot Provision 2

Provision 1

Pilot Provision 1 procedures extend application processing intervals to every third year (instead of every two years), using enrollment-based claiming percentages, and counting total daily meal counts. Enrollment-based claiming percentages are calculated by dividing the total number of children approved for free and reduced price lunches by total enrollment. A No-Fee program is optional. Only schools with more than 80 percent of students eligible for free or reduced

price meals may implement Provision 1 procedures. The Atlantic City, NJ, pilot site attempted to implement Pilot Provision 1 procedures.

Provision 2

Provision 2 procedures require schools to implement a no-fee program. To calculate claiming percentages applications are processed once every three years and used to compute enrollment-based claiming percentages (as in Pilot Provision 1). In the second and third years, the SFA may collect applications from new and previously non-approved students. Based on these new applications, and on those updated from previously approved applications and changes in enrollment, the SFA may adjust the claiming percentage annually. The test procedures differ for Provision 2 because, for Pilot Provision 2, SFAs use claiming percentages in all three years. Milford, ME, and Terrell County, GA, pilot sites attempted to implement Pilot Provision 2 procedures.

Table 1.1
SUMMARY OF PILOT PROJECT PROCEDURES[a]

No-Fee Projects	
Jersey City, New Jersey	The Jersey City pilot project includes providing a No-Fee meal program. There has been no change in the application or verification processes. The Jersey City School District develops enrollment-based claiming percentages each year. Total meal counts are taken daily. Claiming percentages are applied to total meal counts to calculate reimbursement claims.
Salinas, California: Alisal Union School District	The Alisal Union School District, located in East Salinas, is providing a No-Fee meal program and is collecting and verifying applications once every three years. Enrollment-based claiming percentages are developed based on applications and total enrollment. Total meal counts are taken daily.
Philadelphia, Pennsylvania	The Philadelphia School District is providing a No-Fee meal program in 144 of its 272 schools. The school district combines direct certification of children from food stamp, AFDC, and foster care rolls with data provided from a socio-economic study to determine free and reduced price eligibility and develop claiming percentages. Schools take total daily meal counts and multiply the total meal counts by the claiming percentages to determine reimbursement claims. The application and verification processes have been eliminated.
National City, California: National School District	The National School District is providing a No-Fee meal program. Total daily meal counts are taken daily. In the 1991-1992 school year claiming percentages were developed based on the average number of free, reduced price, and paid lunches served in the 1990-1991 school year. The district has developed a statistical model to calculate claiming percentages for the 1992-1993 and 1993-1994 school years. Claiming percentages are applied to total meal counts to calculate claims. The application and verification processes have been eliminated.
Direct Certification Projects	
Columbus, Ohio	The Columbus School District is performing district-wide Direct Certification of children from families which receive food stamps or AFDC benefits. There has been no change in meal counting procedures.
State of Maine	The Maine State Department of Education is conducting Direct Certification from food stamp and AFDC rosters for students in the entire State of Maine. Lists of free and reduced price students are compiled at the State office in August of each year and sent to the appropriate School Food Authority. All other students receive regular applications at the start of the school year in September.

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(Continued)
SUMMARY OF PILOT PROJECT PROCEDURES

Alternative Application Projects	
Springfield, Oregon	The original pilot procedures for the Springfield School District pilot project included collecting applications from one third of the school population annually. The application would be valid for three years. Each year Springfield would verify 10 percent of all applications on file. Pilot procedures have been partially implemented. The district verifies 10 percent of all applications on file. There has been no change in meal counting procedures.
San Bernardino, California	The San Bernardino School District pilot procedures include collecting applications once every two years and verifying applications over an extended period (3 months) in alternate years when applications are not processed. There has been no change in meal counting procedures.
Lowell, Massachusetts	The Lowell School District is collecting a simplified NSLP application from students who were categorically eligible in the previous year. Applications are distributed and processed in the fall for all students not approved through the simplified application process. There has been no change in verification or meal counting procedures.
Pilot Provision 1 and Pilot Provision 2 Projects	
Atlantic City, New Jersey	Pilot Provision 1 procedures include processing applications once every three years, developing enrollment-based claiming percentages, and counting total daily meal counts. Schools must have at least 80 percent of enrolled children eligible for free or reduced price meals to participate. Offering a No-Fee meal program is an option. However, the Atlantic City pilot site has dropped out of the study.
Milford, Maine	Pilot Provision 2 procedures include processing applications once every three years, developing enrollment-based claiming percentages, and counting total daily meal counts. A No-Fee meal program is required. The Milford pilot site is no longer participating in this study as a Pilot Provision 2 project and is no longer participating as a Provision 2 site. Milford is currently using typical application, verification, and meal counting procedures.
Terrell County, Georgia	Pilot Provision 2 procedures include processing applications once every three years, developing enrollment-based claiming percentages, and counting total daily meal counts. A No-Fee meal program is required. The Terrell County pilot site did not implement the Pilot Provision 2 procedures. Participation-based claiming percentages have been used to calculate claims for reimbursement instead of the intended enrollment-based claiming percentages. The Terrell County pilot site is currently operating under Provision 2 procedures.

a) *Some pilot sites have not implemented all or part of their pilot project procedures. These pilot sites include Springfield, Atlantic City, Milford, and Terrell County.*

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Table 1.2
PROFILE OF PILOT PROJECTS
(Figures Represent SY 1990-1991 Unless Otherwise Noted)

Location of Pilot Projects	Type of Area	1990 Population[a]	School District		Pilot Projects				Pilot School Site
			Number of Schools	School Enrollment	Number of Schools Implementing Pilot Projects	Enrollment of Schools in Pilot Projects	Percent of Students in Pilot Projects Eligible for:		School at Which Data Were Collected
							Free Lunches	Reduced Price Lunches	
No-Fee Projects									
Jersey City, NJ	Urban	228,537	37	28,000	15	10,534	83.3%	5.7%	School #5 Elementary School
Salinas, CA	Urban	108,777	7	5,281	7	5,281	77.0	13.9	Virginia Rocca Barton Elementary School
Philadelphia, PA[b]	Urban	1,585,577	272	196,451	144	108,525	88.3	4.7	George W. Childs Elementary School
National City, CA	Suburban	54,249	10	6,410	10	6,410	63.5	10.5	New Horizons Elementary School
Direct Certification Projects									
Columbus, OH	Urban	632,910	141	63,786	141	63,786	41.8	7.3	Everett Middle School
State of Maine	State	1,227,928	693	215,149	693	215,149	19.4	6.1	N.A.
Alternate Application Projects									
Springfield, OR	Suburban	44,683	21	9,511	1	280	71.4	7.1	Brattain Elementary School
San Bernardino, CA	Urban	164,164	55	40,973	55	40,973	41.6	4.8	Jefferson Hunt Elementary School
Lowell, MA[c]	Urban	103,439	29	13,414	29	13,414	43.3	6.7	Washington Elementary School
Pilot Provision 1 and 2 Projects									
Atlantic City, NJ	Urban	37,986	11	6,320	1	395	62.0[b]	10.4[b]	Chelsea Junior High School
Milford, ME	Rural	2,278	4	955	1	255	39.2	15.7	Helen S. Dunn Elementary School
Terrell County, GA	Rural	10,653	3	1,880	1	460	78.9	12.0	Lilly Cooper Primary School

a) *Source: 1990 Census of Population*
b) *SY 1991-1992 Data*
c) *SY 1989-1990 Data*

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CHAPTER 2
NO FEE PILOT PROJECTS

In the no-fee pilot projects, schools serve meals to all children at no charge, regardless of the income status of the child. Schools are not required to count meals by category (free, reduced price and full price) because they receive Federal reimbursement based on set claiming ratios. Schools count total meals served and then apply claiming ratios to determine how many meals should be claimed for free reimbursement, how many for reduced price reimbursement and how many for paid reimbursement. Claiming ratios are established using historical participation, school enrollment, econometric models or other alternatives.

Because a claiming ratio does not allow schools to identify which children should be charged for a reduced or full price meal, no money is collected and school districts must somehow absorb the loss of student payments. This restriction makes the no-fee option most viable in schools serving a high proportion of low-income students.

Four of the pilot project sites are operating no-fee programs: The School District of Philadelphia, PA; Jersey City School District in Jersey City, NJ; Alisal Union School District in Salinas, CA; and National City School District in National City, CA. Each of these districts serves meals in some or all of their schools at no charge to all students, takes total daily meal counts and develops their claim for Federal reimbursement based on set claiming ratios. The pilot procedures in each site differ principally in how their claiming percentages have been developed.

TABLE 2.1
NO-FEE PILOT PROJECT SITES
Characteristics of the School Districts in the 1991-92 School Year

No-fee Pilot Site	Total Schools	Number of Schools in the Pilot	Number of Children in the Pilot	Percent Free Eligible in Pilot	Percent Reduced Price Eligible in Pilot
Philadelphia, PA	272	144	108,525	88%	5%
Jersey City, NJ	37	15	10,534	83%	6%
Salinas, CA	7	7	5,281	77%	14%
National City, CA	10	10	6,410	64%	15%

Three of the pilot sites (Philadelphia, Salinas, and Jersey City) are operating using claiming percentages based on enrollment in school and one is operating using claiming percentages based on actual participation. Enrollment percentages are calculated by determining the eligibility status of all children in a school and converting the numbers into percentages. If a school of 100 students has 75 students eligible for free meals, then 75 percent of each day's meal count

will be claimed as free. An enrollment-based claiming percentage assumes that children in all income categories eat school lunches at about the same rates because of the zero price charged.

Two of the sites (Salinas and Jersey City) using enrollment-based claiming percentages collect applications to determine the number of children in school eligible for free and reduced price meals. Jersey City continues to collect, review, approve, and verify applications annually in every school. Schools that certify over 80 percent of students for free or reduced price lunches are included as pilot schools. In the 1991-92 school year, 15 of 31 K-8 schools participated in the no-fee program. In 1992-93, 8 elementary schools were added for a total of 23 participating. None of the senior high schools have participated in the pilot because they could not collect enough applications to meet the 80 percent threshold.

The Alisal Union School District (Salinas, CA) collects, approves and verifies applications once every three years. The district consists of seven elementary schools and pilot procedures have been implemented in all schools. Based on applications collected in 1990-91, approximately 77 percent of children attending school in Alisal are eligible for free meals and 14 percent are eligible to receive reduced price meals.

The third site using enrollment-based claiming percentages (Philadelphia) designed a socio-economic study to determine claiming percentages rather than using applications. The study, conducted by researchers from Temple University, combined information on food stamp and Aid to Families with Dependent Children (AFDC) households with in-home interviews. The district used direct certification to determine how many children in each school would be eligible for free meals based on receipt of food stamps or AFDC. Researchers then interviewed 2,500 households not eligible for food stamps/AFDC to determine what percentage of those households would be eligible for free or reduced price meals. The information from the two sources was combined to create enrollment-based claiming percentages for each school in the district. Philadelphia implemented pilot procedures in all schools in the district with 70 percent or more students eligible for free meals.

The fourth no-fee site (National City) is using participation-based claiming percentages to calculate claims for Federal reimbursement. Participation-based claiming percentages are developed based on the actual number of meals served to free, reduced price and full price eligible children. Throughout the first year of the pilot (1991-92), National City based their claiming percentages on the actual number of meals served to free, reduced price and full price eligible children in the prior year. During that year, however, the district hired a statistician from the University of San Diego to create a linear regression model that estimates and annually updates participation percentages. The model is based on ten years of historic claiming patterns and includes economic and demographic variables such as regional unemployment rates, gross regional product and race/ethnicity to make annual updates. The district began using the model to calculate claims in October, 1992.

Paperwork Reduction

Time Savings

No-fee programs have the potential to significantly reduce program paperwork by eliminating all or part of the application and meal counting and claiming processes. Three of the four pilot projects reduced their program paperwork by changing the application process. Philadelphia and National City eliminated applications and Salinas reduced application collection to once every three years.

TABLE 2.2
APPLICATION PROCESSING AND VERIFICATION TIME SAVED IN NO-FEE PILOT SITES FROM BASELINE TO YEAR 1

No-Fee Pilot Site	Total Hours Saved in Application Processing and Verification	Number of Free and Reduced Price Applications on File	Time Savings per Application Not Processed
Philadelphia, PA	20,480	83,641	15 min
Jersey City, NJ	--	9,468	--
Salinas, CA	1,906	4,799	24 min
National City, CA	1,131	4,977	14 min

Philadelphia, Salinas, and National City saved between 14 and 24 minutes per application in processing time. This includes the time it takes to distribute, collect, transport, review, enter information into a computer file and file the application. It also includes the time it takes to verify a sample of applications on file. The 20,480 hours saved in Philadelphia represent over 10 staff years -- about 1 staff year for every 14 schools in the pilot program.

Salinas had the highest processing time per application and so achieves the greatest savings by eliminating the application process. The Alisal School District in Salinas has a very high population of Spanish-speaking migrant farm workers. The school food service director annually hired bilingual translators to help parents read, understand, and complete the application for meal benefits. In addition, the application and verification processes in Salinas are complicated by the nature of migrant work--families move often and may be difficult to locate.

Jersey City shows no savings in the application and verification processes because they continue to collect applications annually.

In addition to simplifying the application process, no-fee pilot procedures eliminate many staff duties related to meal counting. Under a no-fee system only the total number of meals is counted on a daily basis. Under standard procedures, food service workers must use a ticket, roster or automated system to record meals served by free, reduced price and full price

categories. Generally food service workers must then spend time after the meal service tallying categorical counts.

TABLE 2.3
MEAL COUNTING TIME SAVED IN NO-FEE PILOT SITES

No-Fee Pilot Site	Total Hours Saved by Eliminating Meal Counting by Category	Number of Pilot Schools	Time Savings per School per Day
Philadelphia, PA	39,144	144	1 hour 30 min
Jersey City, NJ	3,588	15	1 hour 18 min
Salinas, CA	1,000	8	41 min
National City, CA	2,821	10	1 hour 33 min

Prior to pilot implementation, three sites used manual procedures to count meals by category. Philadelphia and Jersey City used a ticket system requiring tickets to be distributed by school administrators and collected/counted by school food service staff at the end of the meal service. National City used a roster system organized by classroom. Each of the three sites using manual counting systems saved between 78 and 93 minutes per school per day by implementing no-fee meal counting procedures.

Salinas saved about 41 minutes per day per school by counting only total meals. Prior to pilot implementation, Salinas used an Accutab system. The Accutab system uses automated tab tickets. Tickets are coded (by free, reduced price and full price categories) and sectioned so that the food service worker taking meal counts can feed them through an automated terminal which will read them and remove a section. The automated terminal then tallies the meals by eligibility category. Because Salinas had been using a more automated and less labor-intensive system prior to pilot implementation, they saved less time per day strictly due to pilot procedures.

Cost Savings

Cost savings at the pilot sites resulted from a combination of factors including: 1) elimination of direct costs; 2) shifts in labor from administration to meal preparation; 3) reductions in use of off-budget staff (including school administrators or teachers); 4) actual staff reductions.

By eliminating the application and meal count by category processes, a number of direct cost categories can be cut back or eliminated such as application printing, postage, meal tickets, ticket display boards, meal counting equipment (e.g., Accutab machines), armored car contracts and money orders, etc. Labor costs can be reduced through not hiring temporary workers to process applications or through eliminating staff positions. By reducing costs in these areas, pilot sites saved between one half cent and nine cents per meal.

TABLE 2.4
ACTUAL SAVINGS IN ADMINISTRATIVE COSTS IN NO-FEE SITES
Baseline to Year 1 Comparison

Pilot Site	Reductions in Labor Costs	Reductions in Direct Costs	Additional Admin Costs**	Meals Served (Baseline Year)	Admin Savings per Meal
Philadelphia, PA	$ - 64,939	$ - 22,970	$ + 42,000	9,619,061	$.005
Jersey City, NJ	$ 0	$ 0	$ 0	1,017,001	$.00
Salinas, CA	$ - 24,110	$ - 18,000	$ 0	667,333	$.06
National City, CA	$ - 79,325	$ - 3,942	$ + 1,487	900,143	$.09

** Additional Administrative costs are the result of the socio-economic survey conducted in Philadelphia and statistical model development in National City.

Labor Costs: Three sites had actual reductions in labor costs. By eliminating the application process, Philadelphia and Salinas did not have to hire temporary help to review and process applications. Philadelphia was able to save over $30,000 in temporary labor costs and Salinas saved over $13,000. In addition, both Philadelphia and Salinas were able to reduce staff required to handle money and distribute tickets. As a result, Philadelphia saved almost $35,000 and Salinas saved about $10,000. Finally, Salinas was able to save $1,000 in overtime charges.

National City also had savings in actual labor costs. Prior to pilot implementation, the food service office paid money into a general fund to reimburse the cost of using school staff (e.g., school secretaries, teachers, etc.) to process and verify applications. In 1991-92 the amount was reduced by over $26,000 because schools no longer had to process and verify applications. In addition, the central office saved about $1,500 by cutting 60 hours of office overtime. Finally, the school district cut school food service staff by 14.5 hours per day (in 10 district schools) as a result of simplifying the meal counting process. This reduction was achieved through attrition. The district originally achieved a labor savings of 25.5 hours per day, however, 11 of the hours had to be added back in to accommodate increases in meals prepared and served.

Direct Costs: Philadelphia, Salinas and National City also had reductions in direct costs as a result of changes in the application and meal counting processes. Philadelphia saved a total of $22,970 by not printing applications ($5,250), not printing meal tickets ($12,000) and not handling money--purchasing money orders and hiring armored vehicles--($5,720).

Salinas saved about $18,000 in direct costs by not printing and mailing applications ($3,300), not printing tickets or purchasing ticket display boards ($10,500), and not having to maintain computers and Accutab machines ($4,200).

In contrast to the three sites which eliminated or reduced the incidence of application processing, Jersey City did not achieve actual cost reductions because they continued to process applications each year. However, Jersey City did achieve marked savings by reallocating labor away from the meal counting process.

Reallocated Labor: By simplifying the meal count process, Jersey City saved about $.24 per meal. All of the labor hours saved in Jersey City were reallocated to other activities within the school food service account or to school administration. The total estimated annual value of labor savings is $240,991. Of this, $106,809 (44.3 percent) is related to ticket distribution and counting, $109,620 (45.5 percent) is related to money collection, and $24,562 (10.2 percent) is related to SFA billing for moneys collected. Of the total estimated savings, $134,772 (55.9 percent) is school administrative staff time, and $106,219 (44.1 percent) is school food service staff time.

TABLE 2.5
TOTAL SAVINGS IN ADMINISTRATIVE COSTS IN NO-FEE SITES
Baseline to Year 1 Comparison

Pilot Site	Actual Reductions in Labor	Reallocated Labor	Direct Savings	Additional Admin Costs	Total Admin Savings per Meal
Philadelphia, PA	$ - 64,939	$-1,768,069	$ - 22,970	$ + 42,000	$.19
Jersey City, NJ	$ 0	$- 240,991	$ 0	$ 0	$.24
Salinas, CA	$ - 24,110	$- 17,640	$ - 18,000	$ 0	$.09
National City, CA	$ - 79,325	$- 40,590	$ - 3,942	$ + 1,487	$.14

Philadelphia achieved $.18 per meal in paperwork savings--for a total savings of $.19 per meal--by reallocating labor away from the application/meal counting processes. Philadelphia saved about 23,460 hours (163 hours per school) or $1.1 million in school vice-principal and teacher time by not requiring them to review applications and maintain rosters. The hours saved were reallocated to other educational activities. The district also saved over 5,000 hours worth $219,000 of administrative aide time by not distributing meal tickets on a daily basis. Philadelphia also saved almost 27,000 hours of the district's food service administration time (worth over $438,000) by eliminating the verification process and simplifying the accounting process.

Salinas was able to reallocate about $17,700 away from application processing and meal counting. The time saved was used to provide labor at two school sites that became multi-track schools--schools that operate year round. Without the pilot project, Salinas would have had to make additional hires to provide labor at the year round schools which now operate without a summer vacation period for school staff.

Salinas had an additional savings associated with the pilot project which is not shown on the above table. Implementing the pilot procedures resulted in monetary savings and labor hour savings which enabled the district to establish breakfast programs at seven schools. Without the pilot program, the breakfast program would have cost the district an additional $20,000. The $20,000 represents the combined approximate cost in labor at all schools in the district implementing a breakfast program. Without a no-fee program, two workers would have been

required at each site--one to serve meals and one to count by category. As a result of the pilot, only one worker is needed to administer the breakfast program at each site saving the district approximately $20,000.

As previously discussed, National City had an actual reduction of labor hours due to pilot implementation--approximately 14.5 labor hours per day were cut from 10 district schools. In addition, about 11 hours of staff time per day was reallocated from the meal counting process to meal preparation. The reallocation was necessary to accommodate increases in the number of meals served.

Effects on Participation

No-fee programs have considerable potential for increasing student participation, particularly in high schools or other schools where current participation rates are lower than average. The absence of price is a significant incentive to participate. And because meal counting is simplified--that is, there is no meal ticket system--a no-fee system can eliminate any stigma associated with accepting a free meal.

Three of the four no-fee pilot sites had lower-than-average free and full price participation rates prior to beginning the pilot program. Philadelphia and Jersey City also had lower-than-average reduced price participation rates. The potential for increases in participation rates were highest in these areas.

TABLE 2.6
BASELINE AVERAGE DAILY MEAL RATES IN PILOT SCHOOLS
School Year 1990-91

Category	National Average Rates	Philadelphia PA	Jersey City, NJ	Salinas, CA	National City, CA
Free	80%	65%	68%	77%	83%
Reduced Price	74%	26%	40%	82%	84%
Full Price	40%	3%	8%	32%	61%
TOTAL	54%	53%	60%	73%	78%

From the baseline year to the first year of pilot procedures, participation rates increased in all of the no-fee sites. District-wide participation increased the most in Jersey City where the average daily meal rate rose from 60 percent of children selecting a school lunch to 73 percent--a 21 percent increase in participation. As a result of increased student participation, the number of meals served in Jersey City rose by 30 percent from the baseline to the first year of the pilot. In each of the pilot sites, the percentage increase in total meals is higher than the percentage increase in participation because of higher enrollments. In other words, the 30 percent increase

in the number of meals served in Jersey City is a result of a 21 percent increase in participation coupled with more children in school.

Salinas experienced an 18 percent increase in the average daily meal rate and a 25 percent increase in total meals served. Again, the 25 percent increase in total meals served is a result of the 18 percent increase in participation coupled with an increased number of children in school.

TABLE 2.7
AVERAGE DAILY MEAL RATES IN NO-FEE PILOT SITES
A Baseline to Year 1 Comparison

No-Fee Pilot Site	Avg Daily Meal Rate Baseline	Avg Daily Meal Rate Year 1	Percent Increase in ADM rate	Actual Increase in Meals Served
Philadelphia, PA	53%	63%	18%	2,725,394
Jersey City, NJ	60%	73%	21%	302,206
Salinas, CA	73%	87%	18%	163,941
National City, CA	78%	84%	7%	86,372

National City experienced only a 7 percent increase in its average daily meal rate and a 10 percent increase in the number of meals served. National City is an elementary-only school district that already had very high rates of student participation prior to pilot implementation. In fact, National City was the only no-fee pilot site to begin the demonstration with higher than average participation rates in all meal categories. Consequently, their potential for increases in participation was limited.

In Philadelphia, the only site to include high-schools in the pilot, the overall average daily meal rate rose by 18 percent and total meals served increased by 28 percent. The average daily meal rate in elementary schools rose by only 4 percent but in high schools it rose by 186 percent. As in National City, elementary schools already had high rates of participation before pilot implementation so potential for increase in participation rates was limited.

TABLE 2.8
AVERAGE DAILY MEAL RATES IN PHILADELPHIA
A Baseline to Year 1 Comparison

Type of School	Avg Daily Meal Rate Baseline	Avg Daily Meal Rate Year 1	Percent Increase in ADM rate	Actual Increase in Meals Served
Elementary Schools	72%	75%	4%	1,022,030
Middle Schools	35%	50%	41%	861,460
High Schools	13%	38%	186%	841,904
TOTAL	53%	63%	18%	2,725,394

However, while Table 2.8 demonstrates that participation rates rose the most in high schools where potential for increase was greatest, it also shows that 38 percent of the new meals were served in elementary schools since elementary school students represent over half of the children in Philadelphia's pilot program.

Federal Costs

Federal costs have risen in each of the no-fee pilot sites as a result of increases in meals served. Higher Federal reimbursement rates contributed slightly to increased Federal costs in Year 1 of pilot operations--i.e., about 3 percent of additional Federal dollars spent in each of the pilot sites is attributable to increased Federal reimbursement rates and 97 percent is attributable to additional meals served.

TABLE 2.9
INCREASES IN FEDERAL DOLLARS TO NO-FEE PILOT SITES
A BASELINE TO YEAR 1 COMPARISON

Pilot Site	Federal Dollars - Baseline	Federal Dollars - Year 1	Increase in Federal Dollars - Baseline to Year 1	Additional Meals served in Year 1
Philadelphia	$ 16,587,494	$ 20,095,038	$ 3,507,544	2,725,394
Jersey City	$ 1,737,543	$ 2,181,868	$ 444,325	302,206
Salinas	$ 1,084,670	$ 1,338,494	$ 253,825	163,941
National City	$ 1,290,680	$ 1,465,854	$ 175,174	86,372

Changes in District Revenues

The National School Lunch Program is supported by revenues from several sources including Federal and State per meal reimbursements, local payments and student payments. In a no-fee program student payments are eliminated which lowers the average per meal reimbursement--i.e., the actual amount of money that is available to produce each meal. However, because some administrative duties are eliminated, districts may achieve actual labor and direct cost savings which reduces their cost to produce a meal. Philadelphia saved one half cent per meal, Salinas saved $.06 per meal and National City saved $.09 per meal as a result of pilot implementation.

Nationally, schools received an average of $1.74 per meal in Federal reimbursements, State contributions and student payments in 1992.

NATIONAL AVERAGE PER MEAL REVENUES

Source	Amount in millions
Federal Cash Payments	$3,810
Federal Commodity Payments	$ 574
State Contributions	$ 446
Student Payments	$2,304
Total	$7,134
Total Lunches Served	4,101
Average Revenue per Meal	$ 1.74

Because no-fee school districts must make up the difference between the Federal reimbursement received for full price and reduced price meals and the cost to produce a meal, this type of program is only feasible in districts that do not rely heavily on student fees to support their meal programs. Nationally, during the 1992 school year, students paid about $2.3 billion for school lunches--about 53 percent of Federal cash and commodity lunch reimbursements for that year. In comparison, prior to pilot implementation, National City had student payments equal to 12 percent of Federal reimbursements, Jersey City and Salinas had student payments equal to 2 percent of Federal reimbursements in pilot schools, and Philadelphia had student payments equal to 1 percent of Federal reimbursements in pilot schools.

During the baseline year, Philadelphia had total lunch revenues (in the 144 pilot schools) of $17.6 million including $16.6 in Federal reimbursements, about $770,000 in State revenues and $202,000 in student payments. Total revenues divided by total meals served show that Philadelphia earned about $1.83 per meal prior to pilot implementation. During the first year of pilot operations, total revenues to Philadelphia increased by $3.5 million due to the 28 percent increase in meals served. Both Federal revenues and State revenues increased but student revenues were eliminated. As a result, Philadelphia earned about $1.71 per meal in the first year of pilot operations--a $.12 decrease from the prior year.

As previously discussed, due to reductions in labor and direct costs, Philadelphia had **actual** savings of about one half cent per meal as a result of the pilot procedures (p. 15). Therefore, in order to operate a no-fee program, Philadelphia had to find ways to cut their cost of meal production by more than $.11 per meal. Philadelphia showed a total administrative savings of about $.19 per meal including reallocated labor. However, most of the total administrative savings accrued to school administrators such as principals, secretaries, etc. rather than to the food service account.

TABLE 2.10
PHILADELPHIA CHANGES IN REVENUE
Baseline to Year 1 Comparison

	Federal Revenues	State Revenues	Student Payments	Total Revenues	Per Meal Revenue
Baseline Year	$16,587,495	$ 769,525	$ 202,499	$17,559,519	$ 1.83
Year 1	$20,095,039	$ 987,556	$ 0	$21,082,595	$ 1.71
Absolute Change	$ 3,507,544	$ 218,031	$ -202,499	$ 3,523,076	$ - .12
Percent Change	+ 21%	+ 28%	- 100%	+ 20%	- 7%

Prior to no-fee implementation, Jersey City earned about $1.83 per meal in pilot schools. As a result of an increase in the number of meals served during the first year of the no-fee program coupled with increased Federal and State per meal reimbursement rates, total revenues to Jersey City increased by about 25 percent. However, the number of meals served in Jersey City grew by 30 percent resulting in a net per meal revenue decrease. Jersey City's per meal revenue decreased by about $.07 from $1.83 to $1.76--which is still $.02 above the national average.

TABLE 2.11
JERSEY CITY, CHANGES IN REVENUE
Baseline to Year 1 Comparison

	Federal Revenues	State Revenues	Student Payments	Total Revenues	Per Meal Revenue
Baseline Year	$ 1,737,543	$ 84,876	$ 35,671	$ 1,858,090	$ 1.83
Year 1	$ 2,181,869	$ 138,168	$ 0	$ 2,320,037	$ 1.76
Absolute Change	$ 444,326	$ 53,292	$ -35,671	$ 461,947	$ - .07
Percent Change	+ 26%	+ 63%	- 100%	+ 25%	- 4%

Salinas had revenues of about $1.80 per meal prior to no-fee implementation. During the first year of pilot operations, per meal revenues fell to about $1.73--a $.07 decrease. However, Salinas also achieved an actual per meal labor savings of $.06 through reductions in paperwork. Therefore, Salinas actually forfeited about $.01 per meal due to the no-fee program.

TABLE 2.12
SALINAS, CA CHANGES IN REVENUE
Baseline to Year 1 Comparison

	Federal Revenues	State Revenues	Student Payments	Total Revenues	Per Meal Revenue
Baseline Year	$ 1,084,670	$ 89,706	$ 23,594	$ 1,197,970	$ 1.80
Year 1	$ 1,338,495	$ 98,232	$ 0	$ 1,436,727	$ 1.73
Absolute Change	$ 253,825	$ 8,526	$ -23,594	$ 238,757	$ - .07
Percent Change	+ 23%	+ 10%	- 100%	+ 20%	- 4%

National City had the largest decrease in per meal revenues because they were the site with the lowest proportion of free and reduced price eligible students and the most dependent on student payments. Prior to no-fee implementation, National City earned about $1.73 per meal in Federal and State reimbursements plus student payments. During the first year of pilot operations, per meal revenues fell by $.14 to $1.59. However, National City also achieved the highest rate of actual labor savings--$.09 per meal. Therefore, actual per meal loss to National City is about $.05.

TABLE 2.13
NATIONAL CITY, CA CHANGES IN REVENUE
Baseline to Year 1 Comparison

	Federal Revenues	State Revenues	Student Payments	Total Revenues	Per Meal Revenue
Baseline Year	$ 1,290,681	$ 104,436	$ 158,422	$ 1,553,539	$ 1.73
Year 1	$ 1,465,853	$ 106,716	$ 0	$ 1,572,569	$ 1.59
Absolute Change	$ 175,172	$ 2,280	$ -158,422	$ 19,030	$ - .14
Percent Change	+ 14%	+ 2%	- 100%	+ 1%	- 8%

Further Evaluation

During the final year of the pilot projects a number of additional areas affecting no-fee systems will be examined. These include the impact of no-fee procedures on the breakfast program, a comparison of participation-based versus enrollment-based claiming percentages, and a discussion of the impact of no-fee procedures on district finances.

CHAPTER 3
ALTERNATIVE APPLICATION PILOT PROJECTS

San Bernardino, California; Springfield, Oregon; and Lowell, Massachusetts each implemented alternative application procedures. San Bernardino and Springfield are extended eligibility sites where applications are processed once every two or three years rather than every year. At the time of application, a child's eligibility is determined and remains the same until the next time applications are collected. San Bernardino processes applications every other year and conducts verification in the alternate year. Springfield petitioned to process one third of their applications each year and verify 10 percent of those approved in that year. Lowell developed a modified application to simplify their application process and shift part of the procedure from the fall to the spring. All alternative application sites have continued to count meals by category.

TABLE 3.1
ALTERNATIVE APPLICATION PROJECT SITES
Characteristics of the School Districts

Pilot Site	Total Schools	Number of Schools in Pilot	Number of Children in Pilot	Percent Free Eligible in Pilot	Percent Reduced Price Eligible in Pilot
San Bernardino, CA	52	52	40,973	42%	5%
Springfield, OR	21	1	280	71%	7%
Lowell, MA	29	29	14,000	41%	6%

Time Savings

San Bernardino collects applications from students in all 52 district schools every other year. Verification of a 10 percent sample of all applications on file is conducted during the alternate year when applications are not processed. Although the district is using a two-year cycle for applications, it still sends applications to all households during the alternate year to capture new students and those who may be newly eligible for free or reduced price meals.

TABLE 3.2
APPLICATION PROCESSING AND VERIFICATION
TIME SAVED IN SAN BERNARDINO

Alternative Application Pilot Site	Total Hours Saved in App Processing	Total Hours Saved in Verification	Number of Free and Reduced Apps on File	Time Saved per Application Not Processed	Time Savings per Verification Not Completed
San Bernardino	6,012	510	18,318	20 minutes/ application	2 minutes/ application

*Note: The district actually spent about 2 hours per verification completed. However, in order to standardize the numbers, the number of hours spent to verify 239 applications was divided by all 18,318 applications on file to arrive at 2 minutes per application on file.

In years when applications are not processed, San Bernardino saves over 6,000 hours of administrative staff time by not collecting and processing applications for all students in their school district. Most of those hours are attributable to school clerks. The data suggest that a clerk at each school works almost full time for about 3 weeks to collect, review, process, and prepare applications for data entry. Data are then entered at the district level where data processors spend about 18 hours per year preparing the data base. In addition, the district's food service senior secretary spends over 14 hours annually drafting the public notice/parent letter and training staff.

San Bernardino saves about 510 hours of administrative work in years when verification is not conducted. In the 1991-92 school year, San Bernardino selected a focused sample and verified 239 applications at a rate of over 2 hours per verification. When the amount of time for verification activities is averaged across all applications on file, San Bernardino spent about 2 minutes per application. Therefore, in the 1992-93 school year when applications were processed in San Bernardino but no verification activities were performed, the district saved 510 hours of paperwork.

Cost Savings

Cost savings from alternate application procedures accrue in two ways: 1) labor that would have been used to approve applications can be redirected to other activities; and 2) the same volume of applications do not have to be printed and distributed.

Labor savings

The San Bernardino SFA annually pays $290,000 to a general fund to repay the district for NSLP paperwork--including application processing, verification, meal counting, etc.--performed by school administrators. This amount has not been reduced as a result of the pilot. Most of the labor savings associated with pilot procedures (99 percent) accrue to the district's administrative staff, allowing them to reallocate labor from NSLP paperwork to other activities.

TABLE 3.3
TOTAL SAVINGS IN ADMINISTRATIVE COSTS REALIZED IN YEARS WHEN APPLICATIONS ARE NOT PROCESSED

Pilot Site	Actual Reductions in Labor	Reallocated Labor	Direct Savings	Additional Administrative Costs	Total Admin Savings per Meal
San Bernardino	$ 0	$ 68,107	$ 3,045	$ 0	$ .05

While San Bernardino saves about $.05 per meal--or $1,368 per school--in reallocated labor and direct costs during years when applications are not processed, they save very little during years when verification is not conducted. Only about $6,197 in labor costs is associated with district-wide verification activities which translates into about $119 per school and less than one cent per meal.

TABLE 3.4
TOTAL SAVINGS IN ADMINISTRATIVE COSTS REALIZED IN YEARS WHEN VERIFICATION NOT PERFORMED

Pilot Site	Actual Reductions in Labor	Reallocated Labor	Direct Savings	Additional Administrative Costs	Total Admin Savings per Meal
San Bernardino	$ 0	$ 6,197	$ 0	$ 0	$ .004

The $6,197 represents 406 labor hours at the school level--about 8 hours per school per year--plus 100 hours of district senior secretary time plus about 3 hours of data processing time.

Direct Savings: In 1991-92 when applications were not processed, San Bernardino had total direct savings of $3,045 which represents $1,465 saved by not having to print applications plus $1,580 saved by not doing a Spanish language translation of applications, letters, and scan sheets used for data entry. No direct cost savings are associated with not performing verification every other year.

Effects on Participation

Increases in participation in San Bernardino cannot be directly attributed to the pilot since increases were occurring across the nation. However, San Bernardino did have increases in enrollment and participation in excess of what occurred in California as a whole. San Bernardino experienced a 17 percent increase in enrollment between the baseline and first year of pilot operations--from 19,756 to 23,156 students. In addition, they experienced a 6 percent increase in average daily participation--from 42.8 percent participating on an average day to 45.3 percent participating. This is a much higher increase than occurred in the State. During that time period, California's school enrollment and average daily participation each rose less than one percent.

Further Evaluation

The San Bernardino school district implemented Direct Certification in the 1992-93 school year. Continuing evaluation of this pilot project will examine the effect of direct certification on paperwork savings associated with extended applications. In addition, future evaluation will focus on determining whether applications for free and reduced price meal benefits accumulate over time, i.e., whether applications stay on file for children who are no longer eligible for benefits.

The two other alternate application sites--Springfield, Oregon and Lowell, Massachusetts had difficulties implementing their pilot procedures. Lowell found that their proposed pilot actually increased district level paperwork slightly. As a result, they have elected to discontinue the pilot. Springfield only partially implemented their proposed procedures.

Springfield intended to collect applications from one-third of the school population on an annual basis and certify applications for a three year period. In addition, Springfield planned to verify 10 percent of all applications on file each year. After selection, the district chose to have only one school implement pilot procedures. The school was unable to completely implement the

proposed pilot procedures. While the district did verify 10 percent of all applications on file from the pilot school, they continued to collect and review applications from all students every year. As a result, paperwork actually increased. The pilot school had an enrollment of 220 children eligible for free and reduced price meals. Using current verification procedures, a 3 percent sample--about 7 applications--would be verified annually. However, under the pilot, a 10 percent sample--22 applications--are being verified annually increasing district paperwork by approximately 15 hours.

Lowell developed a modified application used for students who were categorically eligible--that is, were members of households receiving food stamps or Aid to Families with Dependent Children. The application contained only the child's name, food stamp or AFDC case number and an adult signature block. Children who were categorically eligible in the prior year were given the simplified application in June--near the end of the school year. The simplified applications were processed during the summer months using permanent school food service staff. The list of children potentially eligible for free lunches based on receipt of food stamps or AFDC was then sent to the local welfare office for confirmation. Applications for all other students were approved in the fall. Lowell developed this process in order to make more efficient use of permanent staff and avoid paying overtime costs at the beginning of the school year to process applications. Lowell experienced problems implementing their proposed procedures and has elected to participate in Massachusetts' direct certification program instead of continuing the pilot.

Initially Lowell experienced difficulties eliciting the cooperation of the local welfare office. Prior to the pilot project, the local welfare office participated in the district's verification--that is, the Lowell SFA sent a list of children to the welfare office and the welfare office matched the list with computer files of food stamp and AFDC recipients. However, while the agency was willing to assist with verification of 100-200 applications, they were less willing to do a computer match for 3,000 applications--the total number of children categorically eligible for free meals in the Lowell school district.

Lowell also had problems with duplicate applications. In order to ensure that all children had the opportunity to apply for free meals and to avoid overt identification, Lowell distributed applications to every child in the district whether or not the child had previously completed a simplified application. While the letter accompanying the application stated that those previously approved did not have to complete the new application, Lowell found that many of the families completing simplified applications in the spring also filled out full applications in the fall. As a result, paperwork in Lowell actually increased slightly and Lowell continued to pay about the same amount of overtime to employees to complete applications during the fall.

Using Massachusetts state-wide direct certification, the State sends vouchers to families receiving food stamp or AFDC benefits. Lowell will be charged $.35 for each student certified by the State in their district. As a result, Lowell will pay around $1,050 to use the state-wide system. During the final year of data collection, the issue of duplicate applications under the Massachusetts direct certification system will be examined. It will be interesting to explore

whether the incidence of children returning both a State voucher and a completed application declines under the new system.

CHAPTER 4
DIRECT CERTIFICATION PILOT PROJECTS

Columbus, Ohio and the State of Maine are direct certification pilot projects. Direct certification is a simplified method to determine eligibility for free meals under the National School Lunch and School Breakfast programs. In place of applications, school officials may contact food stamp or Aid to Families with Dependent Children (AFDC) offices for documentation that children are members of a food stamp household or an AFDC assistance unit. These children are automatically eligible for free meals. Besides simplifying the initial application process, direct certification also makes the verification process less burdensome by reducing the number of applications that must be verified.

While the SFA does not have to seek, approve, or keep on file applications for these direct-certified, categorically-eligible students, there are other requirements that the SFA must meet. The SFA must maintain the certified child's name on a list generated by the AFDC or food stamps office and notify households that: 1) their children are eligible for free meals, 2) no further application is required, 3) they should notify the school if they do not want their child to receive free benefits, and 4) they must notify the school when they are no longer certified to receive food stamps or AFDC benefits.

When the pilot projects began in 1990, direct certification was newly approved by law (P.L. 101-147). The two pilot sites were chosen to test the usefulness of direct certification--Columbus at the local level and Maine at the State level. Since 1990, however, many States and individual school districts have implemented direct certification. Currently, at least sixteen States have made statewide direct certification available.[2]

TABLE 4.1
DIRECT CERTIFICATION PILOT SITES
Characteristics of the State or District in the 1990-91 School Year

Direct Certification Pilot Site	Total Schools	Number of Schools in Pilot	Number of Children in Pilot	Percent Free Eligible in Pilot	Percent Reduced Price Eligible
Columbus, OH	141	141	63,786	42%	7%
Maine State	712	712	205,457	17%	5%

Time Savings

Columbus had an estimated 3,653 hour savings in application processing from the baseline to the first year of pilot operations. This represents 3,760 hours of time saved at the school level

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[2] States that provide direct certification on a statewide basis include: Alaska, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, Texas, Utah, Washington.

from not having to receive and process over 17,000 applications minus 107 hours of additional time spent on direct certification at the district level. At the district level about 107 more hours were spent during the first year of direct certification in developing the public release notice and the letter to parents explaining the new process as well as implementing the new procedure. This may be a one-time investment of effort--data collection in future school years will indicate whether direct certification implementation continues to be more time consuming at the district level.

During the first year of direct certification, Columbus did not have higher time savings due to inexact computer tape matches--i.e., many children's names on the food stamp and AFDC tapes could not be electronically matched with names on school registers. Names that could not be electronically matched were subject to manual matching using addresses and parent names to resolve questions about student identity. Again, future data collection will examine whether this continues to be a problem.

School level data collection indicated about 27 hours of time saved using the direct certification process. Extrapolated to 141 schools, 3,760 hours were saved. This total may grow in future years. During the first year of direct certification, about 50 percent of directly certified students also submitted applications. School staff spent considerable time matching applications to the direct certification list sent from the Department of Human Services. Data from years 2 and 3 may show that there is a direct certification learning curve--i.e., as the process becomes more familiar to staff and students, fewer duplicate applications will be filed and more paperwork savings will be achieved. In fact, preliminary data from the second year of pilot operations shows that the number of duplicate applications submitted was reduced from 50 percent to about 22 percent.

In addition to time savings from reductions in applications processed, Columbus achieved savings by reducing their verification sample size. Districts are not required to verify certifications made through the direct certification process. Columbus draws a 3 percent sample of all applications on file for verification. Because over 17,000 applications were directly certified, the number of verifications required was reduced by 521. The data for time savings due to changes in verification in Columbus are not sufficient for direct estimation, however, one can estimate time savings based on national average time to complete a verification. The Study of Income Verification in the National School Lunch Program indicated that SFAs spend about 1 hour per verification completed to select a sample, notify the household, collect the information, make a determination and make any changes to a child's eligibility status.[3] Based on this, Columbus saved about 521 hours by not having to verify that number of applications.

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[3] Study of income verification, p. xxiii.

TABLE 4.2
APPLICATION PROCESSING AND VERIFICATION TIME SAVED IN DIRECT CERTIFICATION PILOT SITES FROM BASELINE TO YEAR 1

Direct Certification Pilot Site	Total Hours Saved in Application Processing and Verification	Number of Applications Directly Certified	Time Savings per Application not processed
Columbus, OH	3,653	17,362	13 min
Maine State	not available	20,287	not available

During the 1992 school year, the State of Maine reduced the number of applications processed by about a third--20,287 were directly certified out of a total 59,212 approvals. Actual time saved in Maine due to direct certification is not available. Maine began to directly certify applications in the baseline year of data collection, therefore, no comparison of time spent in application processing and verification activities can be made between baseline and pilot procedures. As in Columbus, schools in Maine received a high rate of duplicate applications during the first year of direct certification--about 33 percent of students directly certified also submitted applications. Future data collection will focus on time savings achieved after direct certification has been in place for two or more years.

Cost Savings

Cost savings from direct certification can result in two ways: 1) direct savings from reduced postage, fewer envelopes or applications needed; and 2) labor savings from reduced hours spent in application processing and verification activities.

TABLE 4.3
TOTAL SAVINGS IN ADMINISTRATIVE COSTS IN DIRECT CERTIFICATION SITES

Pilot Site	Actual Reductions in Labor	Reallocated Labor	Direct Savings	Additional Admin Costs	Total Admin Savings per Meal
Columbus, OH	$ 0	$105,825	$ 0	$ 5,035	$ .01
State of Maine	$ 2,354	not available	$ 0	$ 10,000	not available

Columbus had no actual reductions in labor costs--that is, no workers had hours actually reduced from their work schedules due to this procedure. However, Columbus saved about $100,296 in reallocated labor due to changes in the application process and about $5,529 due to decreases in the number of verifications required. These hours and dollars were rechanneled to other administrative or educational activities within the school district. Again, as the direct certification process becomes more familiar, it is expected that Columbus will experience higher cost savings.

Columbus experienced no direct savings, in fact, they had increased direct costs due to increased postage. Columbus provides a package of important school and services-related information to each student on the first day of school each year. In each package is an application for free or reduced price school meals plus a month's worth of free or reduced price tickets for students who were qualified in the previous year. Columbus had hoped to be able to include a parental notification in packages going to the homes of children who were directly certified. However, as of the first year of data collection, Columbus was not able to complete the direct certification process in time to include notices in the first day packages. As a result, Columbus mailed letters to directly certified households informing them that their children had already been approved and exhorting them not to complete the application. Since over 17,000 students were directly certified in the first year, postage for letters sent to parents cost about $5,035.

The State of Maine experienced a $2,354 reduction in the cost of conducting income verification due to direct certification. Income verification for the entire State is conducted at the State level. The State uses a focused verification sample--1 percent of applications listing income within $50 of the eligibility guidelines are sampled plus 1/2 percent of those categorically eligible (because their families receive food stamps or AFDC) are verified. Maine estimated that 101 verifications were avoided since over 20,000 students were directly certified. Since the State hires a consultant to conduct verifications annually, the verification change reduced actual labor hours and costs associated with the process.

Maine had an increase in direct costs of $10,000. This amount represents postage, envelopes, paper plus a 29 minute computer run. These costs are paid for by the Maine Department of Human Services (not the Department of Education) which actually conducts the direct certification procedure.

Effects on Participation

Participation in direct certification sites increases if the number of children certified for free meals increases due to the new procedure. Both Columbus and the State of Maine experienced much higher than average growth in the number of free eligibles between the baseline year (1991) and the first year of pilot operations (1992).

TABLE 4.4
INCREASE IN NUMBERS OF FREE ELIGIBLE STUDENTS AT DIRECT CERTIFICATION PILOT SITES

	Free Eligibles, 1991	Free Eligibles, 1992	Percent Increase
Columbus, OH	26,667	32,732	23%
Maine State	34,671	46,810	35%
U.S. Total	11,630,300	12,856,358	11%

During the 1990-1992 time period, the nation as a whole experienced an 11 percent growth in the number of free eligibles, so not all the growth in Columbus and Maine can be attributed to direct certification. However, Columbus experienced growth equal to more than 200 percent and Maine experienced growth equal to more than 300 percent of the national average. Columbus' growth in free eligibility also outstripped Ohio's growth. During that time period, Ohio experienced only a 10 percent increase in the number of free eligibles in the State.

Federal Costs

Federal costs are affected by direct certification because program costs increase as the number of free eligibles eating meals increases. In Maine, for example, the number of free meals served increased by 812,000 between 1991 and 1992. At the same time, the numbers of reduced price and paid meals declined indicating that children shifted from the reduced price and paid categories into the free category--perhaps as a result of direct certification.

TABLE 4.5
CHANGES IN MEALS SERVED IN THE STATE OF MAINE

School Year	Free Meals Served	Reduced Meals Served	Paid Meals Served	Total Meals Served
1991	5,691,302	1,471,663	9,624,802	16,787,767
1992	6,503,295	1,470,554	9,005,726	16,979,575
Change	811,993	- 1,109	- 619,076	191,808

As a result in categorical shifts in meals served (plus a 3.4 percent increase in reimbursement rates), total Federal dollars reimbursed to Maine increased by almost $1.6 million or 13 percent.

Further Evaluation

Future evaluation of the direct certification pilot projects will focus on efficiencies gained through experience with the direct certification process. For example, the question of whether the incidence of duplicate applications is reduced from one year to the next will be examined.

CHAPTER 5
PROVISIONS 1 AND 2

In 1977, Congress amended the National School Lunch Act to authorize special assistance and certification procedures to reduce paperwork in the school lunch and breakfast programs. P.L. 95-166 provided for alternative approaches, commonly referred to as Provision 1 and Provision 2, to standard application and meal counting and claiming procedures. Provision 1 and 2 have not been widely used. At the beginning of the pilot project period in 1990, only 346 schools in the country operated under either Provision 1 or 2.

Under Provision 1 (as permitted by current law), schools with at least 80 percent of students eligible for free or reduced price meals may take applications once every two years instead of annually. Schools participating under Provision 1 must continue to record the number of free, reduced price, and paid meals served daily as the basis for calculating claims for Federal reimbursement. A no-fee program is an option. There were 59 schools in 11 SFAs operating under Provision 1 procedures in the first year of the pilot program, SY 1990-1991.

Under Provision 2 (as permitted by current law), an SFA or a school which serves meals at no charge to all children may take applications once every three years. Meal counting procedures are also altered to reduce administrative burden. During the first year, schools must take daily counts of the number of meals served by free, reduced price and paid eligibility categories. These meal counts are converted into percentages of total meals served each month, e.g., the number of free meals divided by the total number of meals served that month equals the free claiming percentage. Reimbursement in the second and third years is calculated by applying these monthly percentages to total meal counts for the corresponding months. Daily meal counts by eligibility category are not required in the second and third years, but schools must continue to count the total number of meals served each month. There were 287 schools in 110 SFAs operating under Provision 2 procedures during the first year of the pilot program, SY 1990-1991.

The Child Nutrition and WIC Reauthorization Act of 1989 (P.L. 101-147) specifically prescribed alternatives to Provisions 1 and 2 to be tested through the pilot projects. The procedures for Pilot Provision 1 include: processing applications once every three years, taking total daily meal counts, and using enrollment-based claiming percentages. The procedures for Pilot Provision 2 include: processing applications once every three years, taking total daily meal counts, and using enrollment-based claiming percentages. A No-Fee program is required for both Provisions 1 and 2. Table 5.1 summarizes current Provision 1 and 2 procedures and Pilot Provision 1 and 2 procedures.

Pilot Provision 1 and 2 procedures were to be tested in sites that already participated in current law Provision 1 or 2. The new procedures were to be compared to old Provision 1 or 2 procedures for paperwork reduction and overall efficiency. Letters were sent to all schools known to be operating as Provision 1 or 2 schools at the beginning of the project (1990) to request their participation as pilot sites. Very few schools responded. Each of the three pilot

Table 5.1
COMPARISON OF PROVISION 1 AND 2 AND PILOT PROVISION 1 AND 2 PROCEDURES

	ORIGINAL PROVISIONS	PILOT PROVISIONS
PROVISION 1		
School must have 80% of students eligible for free or reduced price.	Applications collected once in 2 years.	Applications collected once in 3 years.
	Meals counted by eligibility category.	Claiming percentages based on annual enrollment.
A No-Fee meal program is an option.	Schools Participating = 59 School Food Authorities Participating = 11	Study Sample = 1
PROVISION 2		
School need not have 80% of students eligible for free or reduced price.	Applications taken once in 3 years.	Applications taken once in 3 years; applications taken every year from new and previously uncertified students.
A No-Fee meal program is required.	Claiming percentages based on monthly participation in base year.	Claiming percentages based on annual enrollment and adjusted based on school turnover.
	Schools Participating = 287 School Food Authorities Participating = 110	Study Sample = 2

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sites that joined the projects was actively recruited by FNS staff. Atlantic City, NJ agree to participate as a Provision 1 site and Terrell County, GA and Milford, ME as Provision 2 sites.

TABLE 5.2
PROVISION 1 AND 2 PILOT SITES
Characteristics of the School Districts in the 1990-91 School Year

Provision 1 or 2 Pilot Site	Total Schools	Number of Schools in Pilot	Number of Children in Pilot	Percent Free Eligible in Pilot	Percent Reduced Price Eligible in Pilot
Atlantic City, NJ	11	1	395	62%	10%
Milford, ME	4	4	955	25%	12%
Terrell County, GA	3	3	460	79%	12%

Provision 1

FNS recruited Atlantic City to participate in the study as a Provision 1 pilot site. The pilot procedures were intended to be implemented at only one school, Chelsea Junior High School. The Atlantic City pilot site discontinued their participation in the study after the first year of data collection. There was a change in administration and the new Director of Food Services decided not to implement pilot procedures.

Provision 2

FNS recruited Milford to participate in the study as a Provision 2 pilot site. During the 1990-1991 school year (the first year of the intended pilot), the district changed administrations and withdrew from the pilot program (new Provision 2), and the Provision 2 program altogether. Their decision was based on the fact that only about 37 percent of students were certified as eligible for free lunches and local moneys were used to subsidize the lunch program each year. Because the town was facing the possibility of a 100 percent increase in property taxes for schools, the School Committee decided to discontinue providing lunches to all children at no charge, and dropped from Provision 2 status altogether. Milford is currently using typical application, verification, and meal counting procedures.

FNS also recruited Lilly Cooper Primary School in Terrell County to participate in the study as a Pilot Provision 2 school. The Terrell County pilot site did not implement the Pilot Provision 2 pilot procedures because enrollment-based claiming percentages were never used to calculate reimbursement claims. The State of Georgia computes all participation-based claiming percentages for its Provision 2 schools and continued to apply participation-based percentages to total counts supplied by Terrell County. The decision on whether to compute and use enrollment-based percentages for the remaining period of the study is underway.

The final report will present both enrollment- and participation-based claiming percentages for Terrell County as well as estimates of time spent counting meals to show which system is more efficient for the district.

In summary, although the legislation prescribed that pilot procedures should be tested in Provision 1 and 2 schools, each of the three sites recruited experienced problems in implementing the pilot procedures.

CHAPTER 6
IN-HOME SURVEY: PRELIMINARY FINDINGS

An important objective of this study is to examine if Federal costs differ under the pilot procedures. Pilot procedures may affect Federal costs in several ways. First, reimbursement claims based on claiming percentages will differ from claims based on actual meal counts because the use of average claiming percentages does not capture day-to-day fluctuations based on factors such as menu or meal quality. Family size or income may change during the time lunch applications are retained by the school, i.e., up to three years in Provision 1 and Provision 2 pilot projects. Any such household change, which should change a child's eligibility status but is not captured under the pilot procedures, will lead to an incorrect payment or program benefits.

Research suggests that family size and income do vary significantly over time. The NSLP regulations state that families must report changes in income over $50 to their school because school lunch eligibility may be affected. A recent study of income verification in the NSLP found that an estimated 62 percent of all households verified had a change in monthly income of $50 or more between application processing and verification, i.e., three to four months. An estimated 15 percent of households correctly verified in the fall had income or household size changes by the spring and were sufficiently large to alter their meal benefit status. An additional 25 percent of households reviewed in the study, but not verified, had benefits in error by the spring.[4] However, it is important to note that these results were based on a national sample of households; the In-Home Survey conducted for the current study is based on a sample of low-income households.

Purpose of the In-Home Survey

The In-Home Survey (IHS) is designed to collect information from households once during each school year to determine whether family size or income changes affect eligibility status for free and reduced price meals from year to year. The information is helpful in determining the likelihood that eligibility status changes between lengthened application periods based on income and household size changes. IHS for Provision 1 and Provision 2 sites is conducted in years one and three, and surveys for alternative sites are conducted in years two and four.

Because changes in family status during the year are not monitored in normal program operations, the current study focuses on changes in income and family size between years. Between-year changes in family status should be captured at the time of application. Unless households self-report changes, they will go unobserved longer under extended eligibility procedures. If a significant number of children change eligibility status, e.g., lose eligibility for free meals through increased household income, it is possible that the alternate system does not

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[4]R.G. St. Pierre and M. Moss, Study of Income Verification in the National School Lunch Program: Report on Innovative Income Verification Procedures, Cambridge, MA, Abt Associates, Inc. 1989.

ensure adequate program integrity. That is, income changes may signify the need for a yearly application process.

Administration of the In-Home Survey

Personal interviews were to be conducted with 60 households for SY 1990-91 and SY 1991-92 in each of the 11 pilot sites, for a total sample of 660 households. Each SFA provided a list of all students who had been approved for free or reduced price meals to serve as the sample. However, preliminary data are available for only 214 households. The following factors reduced the number of respondents for the two-year period:

- Atlantic City discontinued participation in the study.
- Data were not collected in SY 1990-91 in the San Bernardino and Springfield projects.
- Interviews encountered problems in gaining access to respondents in Jersey City and Salinas, and data were not collected in these pilot projects.
- Eight of the 222 households interviewed in SY 1991-92 were dropped because of incomplete data.

TABLE 6-1
IN-HOME SURVEY HOUSEHOLD RESPONDENTS IN SY 1990-91 AND 1991-92

Pilot Project	Number of Households Interviewed in 1990-91	Number of Households Interviewed in 1991-92
Columbus	59	54
Lowell	61	47
Milford	60	31
National City	60	27
Philadelphia	60	20
Terrell County	60	43
TOTALS	**360**	**222**

Note: The actual number of households included in the IHS preliminary analysis is 214; 8 cases were dropped due to incomplete data.

Table 6-1 shows the actual six pilot projects where the IHS was administered in both school years. These pilot projects include:

- Terrell County and Milford: Provision 2 sites.
- Lowell: Simplified applications from food stamp and AFDC household in the spring of each year.
- National City: No-Fee.
- Philadelphia: No-Fee with Direct Certification of children from food stamp, AFDC, and foster care rolls.
- Columbus: District-wide Direct Certification of children from families which receive food stamp or AFDC benefits.

As Table 6-1 illustrates, the number of respondents decreased from SY 1990-91 to SY 1991-92. Many of the respondents who were interviewed in SY 1990-91 had moved or could not be located the second year. The overall attrition rate is 39.4 percent. In four individual cases, some or all of the information was unknown and eligibility could not be computed.

Limitations of the Data

The IHS data have a number of limitations that require caution in drawing statistical conclusions. First, documentation of income varied considerably; it was generally greater than required for applications, but less than necessary for verification. Secondly, the attrition rate in the sample poses possible response bias which cannot be explored in this study. Thirdly, the sample sizes of households ineligible for free lunches, i.e., eligible for reduced price lunches or ineligible for benefits, are very small. Nevertheless, the IHS data provide some useful findings and insights.

Preliminary Findings

Table 6-2 summarizes the eligibility status of all 214 households from SY 1990-91 to SY 1991-92. From SY 1990-91 to SY 1991-92, 18 percent of the households changed from one eligibility status to another, i.e., 176 (82 percent) retained their eligibility status between the two years. There was a 9 percent decrease in benefits for households who were eligible for free or reduced price lunches in SY 1990-91. Moreover, there was a 9 percent increase in the number of households who were eligible for reduced price lunches or ineligible for benefits in SY 1990-91. It is important to note that 91 percent of the households retained eligibility for free lunch from SY 1990-91 to SY 1991-92.

TABLE 6-2
CHANGES IN ELIGIBILITY STATUS FROM SY 1990-91 TO SY 1991-92

SY 1990-91 Eligibility Status	SY 1991-92 Eligibility Status			
	Free/ Categorical (N=136)	Free/Income (N=50)	Reduced Price (N=21)	Paid (N=7)
Free/Categorical (N=137)	117	16	4	0
Free/Income (N=52)	15	24	10	3
Reduced Price (N=13)	1	6	3	3
Paid (N=12)	3	4	4	1

Note: The shaded numbers indicate households that retained the same eligibility status between years. The Free/Categorical and Free/Income households are eligible to receive free lunches.

Table 6-3 summarizes the eligibility status of all 214 households in SY 1990-91 and SY 1991-92 by pilot project. It is important to note the small sample sizes in each site. Only a small number of households experienced changes in benefits between the two years. However, Milford households experienced a 42 percent change in benefits. Of the 42 percent, 23 percent lost eligibility for free lunches and 19 percent gained eligibility to receive free lunch. Overall, the total number of households eligible for free meals remained quite stable from year to year. Moreover, increases in eligibility appear to have offset reductions and losses of benefits.

Impacts on Program Integrity

The majority of the households, 91 percent, interviewed in SY 1990-91 and again in SY 1991-92 retained their eligibility to receive free lunches. Households who were not eligible to receive free lunches in SY 1990-91 did have notable increases in benefits in SY 1991-92 and demonstrate the potential impact on program integrity. However, these results should be interpreted carefully because 1) the samples were small and 2) the data were collected only once within each year, which makes it is difficult to truly assess household income fluctuations. Moreover, in considering Extended Eligibility, it would be important to undertake a more intensive data collection effort to assess household income fluctuations **within** and **between** years.

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Table 6.3
HOUSEHOLD CHANGES IN ELIGIBILITY STATUS BY SITE FROM SY 1990-1991 TO SY 1991-1992

SY 1990-1991 Eligibility Status	SY 1991-1992 Eligibility Status			
	Free/Categorical	Free/Income	Reduced Prices	Paid
Columbus (N=54)				
Free/Categorical	34	2	1	0
Free/Income	4	8	1	1
Reduced Price	0	2	0	0
Paid	0	0	1	0
Lowell (N=47)				
Free/Categorical	28	4	0	0
Free/Income	4	6	1	0
Reduced Price	0	0	0	0
Paid	2	0	1	1
Milford (N=31)				
Free/Categorical	12	2	1	0
Free/Income	1	3	4	2
Reduced Price	0	4	0	0
Paid	0	2	0	0
National City (N=22)				
Free/Categorical	7	3	1	0
Free/Income	1	4	2	0
Reduced Price	0	0	1	1
Paid	0	1	1	0
Philadelphia (N=18)				
Free/Categorical	14	2	0	0
Free/Income	0	1	0	0
Reduced Price	0	0	0	0
Paid	1	0	0	0
Terrell County (N=42)				
Free/Categorical	22	3	1	0
Free/Income	5	2	2	0
Reduced Price	1	0	2	2
Paid	0	1	1	0

Note: The gray boxes indicate households that retained the same eligibility status between years. The Free/Categorical and Free/Income households are eligible to receive free lunches

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